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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

AUG 6 1995

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

In the Matter of)

)
Revision to Amend Part 32,)
Uniform System of Accounts for)
Class A and Class B Telephone)
Companies to Raise the Expense Limit)
for Certain Items of Equipment from)
\$500 to \$750)

CC Docket No. 95-60
RM 8448

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REPLY COMMENTS OF
SOUTHWESTERN BELL TELEPHONE COMPANY

Southwestern Bell Telephone Company (SWBT), by its attorneys, hereby replies to certain comments on the Notice of Proposed Rulemaking (NPRM) in the above-captioned matter.

The consensus of the commenters was that an increase to \$750 is woefully inadequate.¹ Unless the FCC is willing to consider Ameritech's proposed alternative discussed below, SWBT urges the FCC to consider fully all of the factors and to raise the expense limit to at least \$2,000.

As an alternative to the NPRM's proposal, Ameritech suggests that "no sharing" price cap local exchange carriers (LECs) should be allowed "to set their own expense limit"² SWBT concurs with this suggestion as the ideal alternative, although

¹ See, e.g., Ameritech's Comments at p. 8 ("patently unreasonable"); Comments of Bell Atlantic at p. 1 ("undermines the benefits of the USTA recommendation"); Comments of BellSouth Telecommunications, Inc. at p. 5 ("not . . . rational"); Comments of Cincinnati Bell Telephone Company at p. 2 ("disappoint[ing]"); Comments of Pacific Bell and Nevada Bell at p. 3 ("arbitrary and capricious"); Comments of U S WEST at pp. 1, 2 ("de minimis" "negligible"); Wisconsin Public Service Commission Comments at p. 2 ("insufficient to produce meaningful cost savings or accounting simplification").

² Ameritech's Comments at p. 6.

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SWBT would apply this alternative to all LECs, not merely those that elect the "no sharing" price cap option. By abolishing the regulatory expense limit, the FCC would fully recognize existing and future competition between LECs and other companies that are not subject to any regulatory expense limit.

On the other extreme from Ameritech and at odds with reality, MCI objects to the FCC taking into consideration the "increasingly competitive environment."³ By focusing on only one piece of evidence, MCI would have the FCC adopt a myopic view of what is an "increasingly competitive environment." MCI would have the FCC pretend that federal and state legislative and regulatory efforts to promote an increase in local exchange competition have not been undertaken. A recent example of such efforts is new Texas legislation that includes price and other regulation designed for a competitive environment.⁴ An "increasingly competitive environment" is one in which competitive access providers are growing, regulatory barriers to entry are reduced and competition is encouraged, exists and is increasing.⁵ Contrary to MCI's imaginary landscape, there is indeed such a competitive environment, which is increasingly so on a daily basis. While a

³ MCI Comments at p. 2. MCI does not intend for this objection to reduce the \$750 proposed expense limit because MCI says it has no objection to \$750. Thus, MCI implicitly acknowledges that \$750 does not reflect the competitive factor to which it objects or reflects this factor to such a small extent that it is not worth pursuing its objection to any consideration of this factor.

⁴ H.B. 2128, 1995 Tex. Sess. Law Serv. _____ (Vernon).

⁵ Even MCI refers to the "incredible growth" of competitive access providers. MCI Comments at p. 2.

debate concerning objective measures of the degree, or rate of increase, of competition are clearly beyond the scope of this proceeding, MCI's own announcement of its plans to become a local exchange competitor guts MCI's objection of any substantive merit. MCI's actual and projected entry is sufficient in and of itself to conclude that competition is increasing in the telecommunications industry.⁶

In the NPRM, the FCC properly reasoned that the expense limit adjustment should reflect the increasingly competitive environment, but its proposed \$250 increase fails to truly give this factor any consideration at all. To recognize this factor fully along with the other factors, the FCC should adopt no less than a \$2,000 expense limit.⁷

The Wisconsin Public Service Commission recommends that this proceeding be combined with the proceeding in RM-8640,⁸ in which the FCC is considering initial input concerning USTA's Petition for Rulemaking to adopt a vintage amortization level (VAL)

⁶ Indeed, even without MCI's announced entry, MCI's recent actions in asking LECs like SWBT to bid on providing access services to MCI underscores the competitive nature of the market. (See attached letter from Laura K. Pickerel, MCI, to David Vaughn, SWBT, in which MCI admitted that it had received "proposals" in competition with SWBT's offering, and in which MCI "elected to utilize the services of another vendor" for MCI's "project number SW9502.") Certainly, MCI's actions demonstrate the "increasingly competitive environment."

⁷ It is interesting to note that while MCI originally opposed any increase whatsoever, now that the suggestion is for a negligible increase that would provide little, if any, benefit, MCI has dropped its objection.

⁸ Petition for Rulemaking to Amend Part 32 of the Commission's Rules to Eliminate Detailed Property Records for Certain Support Assets, RM-8640, Public Notice (released May 10, 1995).

property record method for certain support assets.⁹ While SWBT believes that these two proceedings are complementary, SWBT does not agree that they should be combined, especially if the combination would delay further the adoption of a meaningful increase in the expense limit. Instead of delaying the expense limit proceeding, the FCC should take prompt, parallel action in both proceedings. There is no reason the FCC could not start by adopting a meaningful increase in the expense limit, followed shortly thereafter by adoption of the VAL method for those support assets above the newly adopted expense limit.¹⁰

In conclusion, in order to give full consideration to all of the relevant factors, including the increasingly competitive environment in which LECs must operate, the FCC should increase the expense limit to at least \$2,000 without further delay.

Respectfully submitted,

SOUTHWESTERN BELL TELEPHONE COMPANY

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August 8, 1995

⁹ Wisconsin Public Service Commission Comments at p. 1.

¹⁰ Cf. Pennsylvania Public Utility Commission Comments in RM-8640 at p. 3 (describing a three-tiered approach in which the vintage amortization level method "dovetails" with the expense limit increase).



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MCI Building
188 South Fourth Street
St. Louis, Missouri 63102

David Vaughn
Southwestern Bell Telephone
1010 Pine
St. Louis, MO 63102

Dear David:

MCI has completed the review of the proposals submitted in response to our request for proposal for service in for 6 DSJs as designated in project number SW9502.

MCI appreciates Southwestern Bell Telephone's responsiveness to this request, however at this time we have elected to utilize the services of another vendor.

Thank you for your interest in providing service to MCI.

Sincerely,


Laura K. Pickard
Carrier Management



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Southern Carrier Relations/ACM
MCI Building
100 South Fourth Street
St. Louis, Missouri 63102

David Vaughn
Southwestern Bell Telephone
1010 Pine
St. Louis, MO 63102

Dear David:

MCI has completed the review of the proposals submitted in response to our request for proposal for service in for 6 DS3s as designated in project number SW9502.

MCI appreciates Southwestern Bell Telephone's responsiveness to this request, however at this time we have elected to utilize the services of another vendor.

Thank you for your interest in providing service to MCI.

Sincerely,


Laura E. Pickard
Carrier Management

CERTIFICATE OF SERVICE

I, Liz Jensen, hereby certify that the foregoing
Reply Comments of Southwestern Bell Telephone Company in
Docket 95-60/RM-8448, has been served this 8th day of
August, 1995 to the Parties of Record.

Liz Jensen
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August 8, 1995

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